

86th Legislative Session – 2011

Committee: Joint Appropriations

Tuesday, February 01, 2011

P - Present
E - Excused
A - Absent

Roll Call

P Sutton
P Haverly
P Heineman
P Novstrup (Al)
P Peters
P Putnam
P Rampelberg
P Dennert
P Wismer
P Juhnke
P Bolin
P Romkema
P Dryden
P White
P Tidemann
P Carson
P Brown, Vice-Chair
P Wink, Chair

OTHERS PRESENT: See Original Minutes

The meeting was called to order by Representative Dean Wink.

Department of the Military

Adjutant General Steven Doohan, Secretary of the Department of the Military, introduced the staff members present at the meeting – **Mr. Steve Harding**, Deputy Secretary; **Ms. Connie Hohn**, Budget and Finance Director; **Mr. Larry Wilcox**, Superintendent of the Veterans' Home;

and **Mr. Jerry Ball**, Senior Accountant at the Air Guard; and **Lieutenant Colonel Kit Cline**, Construction Supervisor at Camp Rapid.

Distributed was a PowerPoint presentation outlining the department's budget request (**Document #1**). Adjutant General Doohan informed the committee that the Department of Military and Veterans' Affairs will be separated into two different departments per the request of Governor Dennis Daugaard.

For FY2012, the Governor recommends a budget of \$39,638,936, comprised of \$2,751,572 in general funds, \$36,861,206 in federal fund expenditure authority, and \$26,158 in other fund expenditure authority. This request is a decrease in general fund of \$133,516 (4.6%), an increase in federal funds of \$362,749 (1.0%), and a decrease in other funds of \$10. The Governor also recommends 101.4 FTEs for the Department of the Military, which is a increase of 6.0 FTEs from FY2011.

Office of the Adjutant General. The recommended budget for FY2012 is \$903,936; an increase of \$84,052 from FY2011. This recommendation includes:

- A decrease of \$11,588 in general funds for personal services regarding a 10% salary cut for the Adjutant General;
- A decrease of \$12,000 in general funds for contractual services for rents paid on office space for recruiting purposes;
- An increase of \$110,925 in general funds for grants and subsidies regarding the 50% tuition assistance program; and
- A decrease of \$3,285 in operating expenses for the reduced costs regarding space billings and central service billings.

The National Guard 50% tuition reduction program is administered by the Office of the Adjutant General to assist members of the South Dakota National Guard who enroll in at a state technical school or university.

Representative Dean Wink asked if any guardsmen have been unable to participate in the program due to lack of funding. Adjutant General Doohan responded that the department was able to meet the need by using funds from other areas in the department.

Representative Kent Juhnke asked about the proposed legislation expanding the National Guard 50% tuition reduction program to include state tribal colleges. Adjutant General Doohan stated that he is not familiar with all the specifics of the bill, but the passage of the legislation would result in an expansion of the program. Mr. Harding commented that the department would require additional funding to expand the program to more schools.

Army National Guard. The recommended budget for FY2012 is \$33,550,825; a decrease of \$124,290 from FY2011. This recommendation includes:

- A decrease in general funds of \$157,003 and an increase in federal fund expenditure authority of \$157,003 for personal services. This is a funding swap in the administration area for 5.0 FTEs that will be paid out of federal funds;
- A decrease in general funds of \$33,600 for half the rent that is paid for the joint use armories is eligible for federal funding;
- A decrease in general funds of \$12,790 and in federal funds of \$72,475 for the cost of electricity and natural gas regarding armories; and
- A decrease of \$5,425 in operating expenses for the reduced costs regarding space billings and central service billings.

Adjutant General Doohan stated that the Department of the Military has four major command locations – Joint Force Headquarters in Rapid City, 109th Regional Support Group in Rapid City, 196th Maneuver Enhancement Brigade in Sioux Falls, and the 196th Regional Training Institute in Fort Meade. The department is building a new joint force headquarters and will be able to occupy the space this summer. Currently, 12 buildings have already been torn down at Camp Rapid and it is anticipated that another 8 or 10 buildings will be torn down. This consolidation will provide for more efficiencies and save on future utilities in buildings at Camp Rapid.

Adjutant General Doohan explained the three different title classifications for Army Guard members.

- Title 10 Federal Service – person is on full-time active duty (not for training). The unit is under the control of the President and the expenses are paid by the federal government;
- Title 32 Federal Service – a person is on active duty (for mission or training) but under the control of the Governor. The expenses are paid by the federal government; and
- State Active Duty – a person is under the control of the Governor for specific missions or trainings. This is used during emergency and disaster response situations. The federal government is not involved; therefore, the expenses are paid by the state or by the requesting agency. Adjutant General Doohan noted that there is an opportunity to receive federal reimbursement if the President declares a State of Emergency for situation.

Representative Lance Carson asked about qualifying to be a veteran. Adjutant General Doohan stated that to be considered a veteran, a person needs to be on federal active duty status – Title 10 Federal Service. Currently, about 80% to 90% of the guardsmen are veterans.

There are 9 future deployments scheduled through the end of calendar year 2012. Adjutant General Doohan said that most of the deployments will be to Afghanistan, but some will be to Iraq and the surrounding area.

The future challenges of the Army National Guard are listed on page 6 of document #1. One of the challenges is the modernization of the armories. Adjutant General Doohan noted that most of the armories were built in the 1950's and 1960's. The facilities are not adequate to the training required of soldiers today. Adjutant General Doohan also said that today's soldiers are requested to be deployed overseas two or three times.

Adjutant General Doohan stated that the department received approval to obtain bids for the construction of the armory in Watertown. This facility will be larger and allow for the opportunity in the northeastern part of the state to consolidate armories.

Air National Guard. The recommended budget for FY2012 is \$5,184,175; an increase of \$269,461 from FY2011. This recommendation includes:

- An increase in federal fund expenditure authority of \$325,866 for personal services and 6.0 FTEs. This is for firefighters at Joe Foss Field in Sioux Falls.
- A decrease in general funds of \$13,568, and in federal fund expenditure authority of \$40,703 for operating expenses. This decrease is for the cost of electricity and gas for heat per the energy cap; and
- A decrease of \$2,134 in operating expenses for the reduced costs regarding space billings and central service billings.

Adjutant General Doohan said that the increase in federal funds and 6.0 FTEs for the firefighters in Sioux Falls is needed because the correct 24/7 coverage of personal firefighters at the airports was not being met. The firefighters also work for the city commercial flights that fly into Sioux Falls.

Senator Corey Brown asked about the sustainability of the funding for the FTEs. Adjutant General Doohan said that the federal government did not give a timeframe for the funding, but indicated that this funding was not short term. When the federal funding decreases, the FTEs will need to be cut.

In 2010, the National Air Guard deployed the 275 Fighter Wing Airmen to Operation Iraqi Freedom, 31 Security Forces Squadron airmen to the Middle east, and individual airmen and small groups deployed to various locations including Afghanistan, Turkey, Italy, Qatar, Panama, Kuwait, Germany, Honduras, Haiti, and Spain.

In response to Senator Larry Tidemann's question, Adjutant General Doohan said that during a deployment the South Dakota Air National Guard sometimes takes equipment overseas. Most times, there are 3 units that are being deployed for 180 days and each unit brings four planes with them. The plans will be used for the entire activation versus flying the planes back and forth.

The Air National Guard has three specialized programs:

- Base Security – contacted security with Minnehaha County sheriff's department for over 30 years;
- STARBASE Youth Program – innovative educational program for at-risk elementary students which promote science and mathematics skills; and
- Civil Air Patrol – search and rescue missions, wild land fire patrols, and storm damage assessments; and training assistance to Air and Army National Guard.

Adjutant General Doohan updated the committee on the closing of the Sisseton Armory. The department has proposed Senate Bill 6 this legislative session, which requests the closure of the armory and the building to be reverted back to the City of Sisseton. This armory has not been used by the National Guard for a couple years because the unit has been training in the Webster facility. The armory was built in 1954 with \$85,000 from the federal government, a donation of land from the City of Sisseton (\$25,000), and \$10,000 from the state. Sisseton has an interest in obtaining the building because the current town council meeting location is not ADA accessible.

Representative Wink asked about the 4.6% total general fund budget cut for FY2012. Adjutant General Doohan responded that a 10% reduction is obtained between the two departments. The 10% reduction request was made prior to the reorganization.

Department of Veterans' Affairs

For FY2012, the Governor recommends a budget of \$8,137,772, comprised of \$3,008,290 in general funds, \$761,589 in federal fund expenditure authority, and \$4,367,893 in other fund expenditure authority. This request is a decrease in general fund of \$377,433 (11.1%), an increase in federal funds of \$676 (0.1%), and an increase in other funds of \$201,155 (4.8%). The Governor also recommends 100.7 FTEs, which is the same as FY2011.

Distributed was a PowerPoint presentation outlining the department's budget request (**Document #2**).

Veterans' Affairs. The recommended budget for FY2012 is \$1,267,148; a decrease of \$185,020 from FY2011. This recommendation includes:

- An increase in general fund expenditure authority of \$25,425 for personal services. This amount is needed to add the Department of Veterans' Affairs Cabinet member;
- A reduction of \$21,000 for grants to the Disabled American Veterans and the Paralyzed Veterans of America to purchase vans. These Organizations will still purchase these vans with their own funds;
- A reduction of \$166,375 in general funds for grants and travel expenditures to reimburse counties for Veterans Service Officers salary and travel expenses. These salaries and reimbursement of travel costs are in state statute and will be a cost shift to the Counties;

- A reduction of \$20,160 in general funds for grants regarding headstone and burial allowance for eligible veterans. This will reduce 100% of the general funds in this program and the department plans to use other funds for the next two to three fiscal years; and
- A decrease of \$2,910 in operating expenses for the reduced costs regarding space billings and central service billings.

Senator Larry Tidemann asked about the reduction in training to the county veterans' officers. Mr. Harding responded that there will be no reduction in training, but there will be a reduction in the state's reimbursement for the costs for the service officers to travel to Pierre. All the required training will still be provided.

Representative Susan Wismer asked about the counties notification of the budget decrease for training. Mr. Harding stated that the counties were not notified and the plan was to not notify until the cuts were official.

Representative Dan Dryden asked, and Mr. Harding agreed, that the travel budget reduction would result in a cost shift to the counties. Adjutant General Doohan commented that the department spends \$166,375 to provide this service. However, if the expense is divided up, it would amount to about \$1,000 annually for the smaller counties and about \$4,000 for the larger counties.

Representative Wink requested that the department provide the number of fulltime veterans' service versus part-time veterans' service.

Senator Al Novstrup asked about the budget cut for the Headstone Fund. He wanted to know if it would be better to cut the actual expenses in other areas and leave the fund intact. Ms. Hohn stated the department has other funds totaling \$90,000 in the Veterans' Affairs Special Revenue Fund. The department will use those funds for the headstone program, but will need to ask for more general funds in a couple years when the fund is depleted.

Mr. Harding stated that the Division of Veterans' Affairs has experienced many significant achievements last year. Some include:

- Approximately 7,500 South Dakota veterans and service members receive benefits from the GI Bill with an estimated annual benefit of \$12 million;
- Staff participated in over 50 veterans outreach events in the state;
- Conducted over 650 consultations with VSO's throughout the year; and
- There are 39 colleges, technical schools, high schools and non-college degree certificate programs active in the state.

As of November 30, 2010, the Division network helped procure over \$87,253,693 in federal VA entitlements to South Dakota veterans and their dependents in 2010. The South Dakota Veterans Bonus Claims to date total \$3,416,770. There are currently 74,273 veterans in South Dakota.

State Veterans' Home. The recommended budget for FY2012 is \$6,870,624; an increase of \$8,066 from FY2011. This recommendation includes:

- An increase of \$195,000 in other fund expenditure authority for engineering costs related to the proposed construction of a West River Veterans' Home and will be paid from the State Veterans' Home Operating Fund;
- An increase of \$11,193 in other fund expenditure authority for the food service contract (\$8,423), for utilities per the energy cap program (\$2,770), and will be paid from the State Veterans' Home Operating Fund;
- A net reduction of \$112,351 in general funds for contractual services. Other funds can be utilized for some of these costs out of the State Veterans' Home Operating fund;
- A net reduction of \$77,281 in general funds for supplies and materials. Other funds can be utilized for these costs out of the State Veterans' Home Operating fund; and
- A decrease of \$8,495 in operating expenses for the reduced costs regarding space billings and central service billings.

Approximately 60% of the operating costs for the Michael J. Fitzmaurice South Dakota Veterans' Home are received from VA per diem, resident maintenance fees, and miscellaneous revenues. Total capacity at the Veterans' Home is 152; comprised of 100 domiciliary beds and 52 nursing care beds.

Mr. Harding informed the committee that the average daily census at the Veterans' Home is 129 people. There are 98 veterans and 31 non-veterans. Of those 129 people, 79 are located in the residential living services (domiciliary beds) and 50 are located in the nursing care unit/special care unit. Page 4 of Document #2 lists the services provided at the Michael J. Fitzmaurice South Dakota Veterans' Home

For the 2011 Legislative Session, the Department of Veterans' Affairs has submitted 2 bills. Senate Bill 52 requests authorization for the South Dakota Building Authority and the Department of Military and Veterans' Affairs to construct a veterans' home near Hot Springs. It also provides authorization for bonding authority for the state veterans' home in western South Dakota. Senate Bill 51 requests that a previous appropriation for maintenance and repair at the veterans' home be revised.

Senator Tidemann asked about the activities performed since the passage of the Fire and Life Support Bill during the 2007 Legislative Session. Mr. Harding stated that \$1 million in general funds and \$1 million in federal fund expenditure authority was appropriated. Mr. Wilcox said that all assigned projects have been completed. The actual bids came in under the assumption

that was originally reported bid to the federal government. The projects were able to be completed for less than originally projected. The sprinkler system, nurse call system, security system, fire doors, and ADA doors were completed with the funds.

Mr. Wilcox told the committee that the majority of the people in the veterans' home are male – there are 9 females living in the facility. There is a requirement that allows up to 25% of the people living at the facilities to be non-veteran (spouses, widows, widowers). Currently, the facility is at 25.87% non-vet occupancy. The facility has coupe rooms and when one person passes, the veterans' home allows the widow or widower to remain in the veterans' home. The residential living is currently about 55% Vietnam vets; which has increased over the last six year.

Representative Carson asked about residency qualifications to live in the veterans' home. Mr. Wilcox stated that the veteran has to have been activated from one of the South Dakota units and needs to be a South Dakota resident within the last five years.

Representative Jim Bolin asked about a waiting list. Mr. Wilcox said that the veterans' home tries to place many of the residents in the independent living back into society, so there is no waiting list. However, there is a waiting list for the nursing care units and couples unit. There are about 7 - 11 people on the couples unit waiting list and about 15 on the nursing care list. Adjutant General Doohan commented that the department is working to get the veterans' home certified in Medicaid. The facility has passed the state survey and is awaiting a survey from Denver.

Senator Tidemann asked about the status of the East River Veterans' Home. Mr. Harding stated that the department sent out a request for proposal (RFP) and completed interviewing the four proposals. The department does not have a specified timeline as to when certain thresholds need to be met. To qualify for the 65% federal funding grant, the building must be state-owned. This issue was discussed at length with the four proposals, but nothing has been finalized. The final decision will need to be agreed upon by the state and long-term care providers. Then the plan will be sent to the VA for approval before construction can begin.

Representative Wink asked about the one veterans' home building that will not be torn down. Adjutant General Doohan stated that the building was built by civil war vets and therefore is considered a historic building. There are certain rules and laws regulating the destruction of a historic building, but the department is not recommending tearing down the building at this time.

Senator Brown asked about the possibility of saving the fire and lights safety improvements made to the buildings that will be torn down. Mr. Wilcox stated that the department is able to save most of the saving the fire and lights safety improvements. The fire suppression doors, nurse calls systems, and security systems can all be recovered. The wiring for the security system and the plumbing for the fire suppression system cannot be recovered.

Legislative Research Council

Mr. James Fry, Director of the Legislative Research Council (LRC), and Ms. Carol Huber, Finance Officer, distributed a handout entitled “LRC Budget Analysis and Review – FY2012 Budget” (**Document #3**).

For FY2012, the Governor recommends a budget of \$4,184,061; comprised of \$4,149,061 in general funds and \$35,000 in other fund expenditure authority. The recommendation is a decrease of \$461,007 (10%) in general funds from FY2011.

Mr. Fry explained the recommended general fund budget reductions. They include:

- \$36,921 to reduce the number of session days to 36 and by limiting the number of interns to 19 and the number of pages to 80 for the 2012 Legislative Session;
- \$30,640 by keeping the front receptionist position unfilled;
- \$18,166 for travel and per diem from reducing the number of interim committee and number of meeting days for statutorily required committees;
- \$57,000 for legislator per diem and mileage by reducing the 2011 Legislative Session to 36 days;
- \$10,302 by not purchasing the accidental death insurance premium for legislators;
- \$42,470 by reducing the computer hardware purchases/lease;
- \$29,000 for contract research;
- \$192,241 by reducing the funding for membership dues for the National Conference of State Legislators (NCSL), Council of State Governments (CSG), Uniform Laws Commission (ULC), and Education Commission of the States (ECS);
- \$30,582 for the Governor’s service charge adjustment;
- \$2,883 for the realignment of expected expenditures; and
- \$10,500 by reducing the purchase of Thompson-West Codified Laws on CD.

Mr. Fry noted that the Legislature will need to have a one day special session in October to adopt the redistricting legislation. If the Legislature does not adopt the redistricting report by December 1, 2011, then the South Dakota Supreme Court is required to create legislative districts.

In addition to reducing the number of session interns from 22 to 19, the pay will be reduced from \$125 to \$110 per day. About 5 years ago, the interns were required to be on the state accounting system. At that time, the pay was increased from \$110 to \$125, but the increase was never reflected in the budget.

In response to Representative Wink’s question, Mr. Fry stated that the legislators will receive the same rate for travel and per diem pay, but the number of committees allowed during the interim will be reduced. The statutorily required committees – redistricting, retirement laws, state tribal,

Ag. Land Assessment Task Force, etc. – will still meet, but the other interim committees will be limited.

Senator Tidemann asked about the insurance premium coverage. Mr. Fry replied that 25 years ago, Legislator Gary Bender passed away from a farm accident. There was concern about what happens to the family when a legislator passes away from an accidental death. The LRC purchased an insurance policy for about \$10,000 annually for coverage of \$200,000. This coverage has never been used.

Representative White asked about the cost per individual for the insurance premium. He suggested keeping the policy, but with premiums paid by the individual legislators. Mr. Fry stated that the LRC receives a group rate.

In response to Senator Peters' question, Mr. Fry explained that the original budget proposal to the Executive Board in November 2010 included a 5% budget reduction. Later Governor Dugaard and constitutional officers asked that the legislative branch of government make additional cuts to reach the requested 10%. A few weeks later, the Bureau of Finance and Management said that the LRC needs to find 10% cuts or the BFM will make 10% for the department; therefore, additional budget cuts were made. The presiding officers of the legislature have agreed with the recommended budget cuts.

Senator Haverly asked about the vacant position. Mr. Fry responded that the funding for the position has been removed, but he hopes to fill the position sometime when funds are available.

Mr. Fry told the committee that after the budget reduction the LRC will have enough money to pay dues for the prescribed organization for the upcoming fiscal year. The problem arises in June 2012 when the legislature will need to decide if South Dakota will remain a member. This is a concern because those organizations provide the training for staff and legislators.

Senator Tidemann asked if other states are considering dropping membership due to budget constraints. Mr. Fry commented that there are rumors about some states not being able to pay full dues, but the organization has been willing to work with the state. If South Dakota is only able to pay a partial membership, he is hoping the state will receive the same treatment and not just lose membership. However, reduced membership fees places pressure on the organizations budget.

Senator Brown asked for the membership dues for each organization. Mr. Fry responded that it is \$89,000 for CSG, \$118,000 for NCSL, \$27,000 for the ULC, and \$18,000 for the ECS. An information sheet listing all the membership dues will be provided to the committee.

In response to Representative Dryden's question, Mr. Fry stated that the budget for organization member due will be reduced to \$50,000. Currently, the LRC has membership obligations of

about \$250,000. The LRC and legislature will need to make decisions as to which organizations the state will continue membership.

Senator Haverly asked about the recommended decrease in travel. Mr. Fry responded that the reduction in travel is for both LRC staff and the legislature. Excluding travel for the State tribal Committee, the staff has not traveled for two years.

Representative Juhnke asked about travel requirements for redistricting. Mr. Fry stated that travel is not statutorily required, but he strongly recommends traveling to some of the tribal areas. The recommended budget will allow for that committee to travel.

Senator Heineman asked about the specifics involving the unspecified research budget reduction. Mr. Fry commented that the contract research money is used to hire people to advise the legislature about various topics. The reduction will eliminate the funding for this service.

In response Senator Heineman's question, Mr. Fry stated that the technical staff will evaluate the effectiveness of a light-weight tablet computer (similar to an iPad) available at a lower acquisition cost. This would replace the tablet computer the legislators currently use. These computers can perform just about everything that needs to be accomplished, but the cost is substantially less than a full notebook.

Senator Haverly asked about the renovation fund. Mr. Fry stated that the funding was for the fourth floor renovation project. The funds were appropriated for four years and will revert at the end of FY2012. There are no current plans for the fund.

Department of Legislative Audit

Mr. Marty Guindon, Auditor General, distributed a document outlining the agency's FY2012 budget request (**Document #4**).

For FY2012, the Governor recommends a budget of \$2,699,401 in general funds, and 34.0 FTEs. This is a decrease of \$193,267 (6.7%) and 2.0 FTEs from FY2011.

The Executive Board approved the Department of Legislative Audit's (DLA) budget recommendation at the August meeting. The initial budget request included a 10% reduction in general funds (\$158,267). After the initial budget proposal, Governor Daugaard asked each agency to cut 10% of the gross FY2011 expenditures (\$289,267). The general fund budget reductions for FY2012 include:

- \$172,077 in personal services for 2.0 FTEs (one auditor and one Director of External Audits positions) and additional personal services;
- \$4,000 from savings by imaging rather than microfilming reports;

- \$1,300 dues and memberships being reduced because DLA will no longer pay dues for staff CPAs for membership in the American Institute of Certified Public Accountant;
- \$1,000 for computer software maintenance for discontinuing support for municipal bond software;
- \$7,200 to align Bureau of Information and Telecommunications expenditures to expected usage;
- \$4,690 for the Governor's Service Charge adjustment;
- \$2,000 from savings for increased use of online continuing education and instructional supplies; and
- \$1,000 for commercial printing by forgoing printing of a new guide to bidding booklet.

Representative Wink asked about the elimination of the Director of External Audits position. Mr. Guindon stated that statute requires a review of all CPA reports. This function will still be performed, but the level of the review will be scaled back substantially. The department will need to spend much less time reviewing and approving reports; it will become more of a perfunctory review compared to the detailed quality control review currently done.

Representative Wismer asked about the number of problems found during the audit review. Mr. Guindon stated that that DLA reviews 300 to 350 reports annually. Most reports have some recommended revisions, but the spectrum of issues varies.

Senator Tidemann asked about compensation for staff that move up in positions. Mr. Guindon responded that new auditors are in a program for the first two years, where they increase every six months. Then after the first two years, the auditor is able to move up based on performance. To this point, the budget allowed to accommodate for the promotions. DLA has not been able to advance within the pay grade for the auditors that are adding experience and value. Before, the DLA had a program that allowed those auditors to increase in job-worth pay similar to the increase to mid-point throughout the rest of state government. The pay increases have been discontinued. DLA has been able to make the basic promotions as needed, but this may not be continued due to the level of budget cuts proposed in FY2012.

Senator Putnam asked about the findings from the legislative audit reports from the previous years. Mr. Guindon stated that the findings will be included in the annual report. When reports are complete, they are brought to the GOAC meetings. At that time, the reports become public and would be available to any legislator.

Mr. Guindon commented that DLA is currently not meeting the nine month deadline for the submission of the state audit report to the federal government. There has been no consequence to the state, but the federal government can take sanctions and withhold funding. The federal government is looking at changing the nine month deadline to a six month deadline. In addition to DLA having difficulty making the new potential deadline, the change would also be an issue

for the Bureau of Finance and Management and other state agencies that need to finalize the reports within the new timeframe.

Representative Wismer asked about the FTE the department requested for FY2011. Mr. Guindon said that because of the impact from the stimulus funds and other auditing requirements, the DLA requested an additional 1.0 FTE to help manage the workload. The request was not approved.

In response to Representative Wink's question, Mr. Guindon stated that he hope the DLA workload will return to the normal level of funding audits now that the stimulus funding is eliminated.

MOTION: ADJOURN

Moved by: Haverly
Second by: Rampelberg
Action: Prevailed by voice vote.

Lisa Shafer
Committee Secretary

Dean Wink, Chair